

ROUTING

Top Secret 233

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2			
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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday December 29, 1976

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NATIONAL SECURITY INFORMATION

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The NID Cable is for the purpose of informing senior US officials.

CONTENTS

CHINA: Hua's Speech on Goals	Page 1
USSR - MIDDLE EAST: Peace Efforts	Page 2
PORTUGAL: Economic Plan	Page 3
LEBANON: Situation Report	Page 4
INDIA-USSR: Oil Agreement	Page 5

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## CHINA: Hua's Speech on Goals

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[ ] The Chinese agricultural conference that closed on Monday served--in the absence of a functioning central committee of the Communist Party--as a forum in which to address major economic and political issues. The conference, which began on December 10, brought to Peking over 5,000 agricultural specialists and local party leaders.

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[ ] From the economic standpoint, conference speakers, led by Vice Premier Chen Yung-kuei, reaffirmed key elements of the agriculture modernization program announced in late 1975. These include plans to expand model agricultural areas, increase farmland capital construction, and complete mechanization of agriculture by 1980.

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[ ] The attention given the conference suggests that China's leaders are counting on a successful agricultural program as a spur to other key sectors of the economy.

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[ ] Chairman Hua Kuo-feng's speech dealt primarily with political goals, set apparently for 1977. Foremost among these--apart from continued criticism of the four purged leftists--is the plan to conduct a rectification campaign of local leadership bodies. Hua announced this campaign in 1975, but it encountered stiff opposition from leftist leaders and was the focus of many local disputes this year.

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[ ] The revived campaign--which will review the qualifications of local leaders and accordingly reeducate, reassign, or fire them--is likely to take into account the political affiliation of local officials and party members.

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[ ] Hua's announcement that local people's congresses will be held next year to reconstitute local revolutionary committees--local government organizations--suggests that changes will be numerous throughout China.

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[ ] The revolutionary committees, established at the end of the Cultural Revolution, have not been systematically reorganized since they were created and include many leftists. Hua's charge that the leftists recruited party members lacking proper qualifications implies that even the lowest levels of party organization will be affected.

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[ ] Changes in local party organization will serve as an important preliminary to the reorganization of the party central committee.

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USSR - MIDDLE EAST: Peace Efforts

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[ ] The USSR appears concerned that it will again be left out of Middle East peace efforts. The Soviets are taking the line privately that no alternative to a resumption of the Geneva conference should be considered and that the US and the USSR must find a "common approach" as co-chairmen of the conference.

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[ ] Over the past several weeks, the Soviets have publicly criticized Egyptian media for emphasizing the US role in the Arab-Israeli settlement process. At the same time, the Soviet press has condemned as a "notorious initiative" Israel's proposal for a Helsinki-type Middle East conference.

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[ ] The Egyptian focus on the US role and Israeli Prime Minister Rabin's proposal presumably evoke Soviet suspicion that Moscow will be cut out of the settlement process in the Middle East.

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[ ] The chief of the Soviet Foreign Ministry's Near East department, in a conversation with a US embassy official last week, stressed the importance of returning to the Geneva forum and even tried to be flexible on the question of Palestinian participation at the conference.

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[ ] The Soviet official made no reference, for example, to the usual Soviet formula for Palestinian participation in the conference on a "basis of full equality and from the very beginning." He made a pitch for Moscow and Washington to work together to "find a common language and a common approach on how to proceed as co-chairmen" of the conference.

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[ ] The official's remarks suggest that Moscow will rely on hints of flexibility to try to encourage the incoming US administration to resume negotiations. In the Soviet view, Geneva remains the only possibility for the USSR to become a major participant in the negotiating process and a guarantor of any eventual agreement. [ ]

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PORTUGAL: Economic Plan

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[ ] A behind-the-scenes agreement between Portugal's ruling Socialist Party and the third-ranking, conservative Social Democratic Center appears to have assured passage in parliament of the government's economic plan.

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[ ] Prime Minister Soares' effort to stabilize Portugal's faltering economy focuses on increasing national production, which has declined considerably since the April 1974 coup, and reducing dependence on imports and foreign financing. Specific targets are a 5-percent increase in gross national product next year, the creation of 125,000 new jobs, and a halving of the present high inflation rate.

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[ ] Social Democratic Center secretary general Basilio Horta yesterday told US embassy officials that his party has agreed to give Soares the necessary votes in this week's crucial assembly balloting in exchange for:

--Participation in a coalition government, likely to be formed within a year.

--Receiving the leading voice in one of the state-owned newspapers.

--Revision of that part of the economic plan dealing with the role of private enterprise.

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[ ] Horta said he expected a strong reaction to the agreement from his party's rank-and-file and he hoped the party's votes would not prove necessary. Soares may encounter some criticism from members of his own party once the specifics become known, but for the time being, at least, Socialist Party discipline does not appear to be a serious problem.

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[ ] The agreement extricates Soares from what might have proven a decisive test of strength with the parliamentary opposition. In the wake of the December 12 municipal elections, opposition leaders served notice that they would no longer in effect rubber stamp government programs through parliamentary abstention.

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[ ] Soares subsequently reinforced the frustrations of both the second- and fourth-ranking parties--the Social Democrats and the Communists--by spurning their offers of cooperation in exchange for increased influence over government policies. [ ]

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#### LEBANON: Situation Report

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[ ] Syrian Foreign Minister Khaddam told the US ambassador in Damascus on December 24 that Syria is unhappy with the delays in collecting heavy weapons from the combatants and believes that Lebanese President Sarkis is not pushing hard enough.

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[ ] Although the Palestinians had earlier offered to remove their weapons from the main cities and the mountains, their refusal to surrender their weapons in the south has continued to hamper efforts by the Arab peace-keeping forces to persuade the right-wing Christian militia to surrender its heavy weapons.

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[REDACTED] On Monday, a PLO official publicly acknowledged the existence of an arms surrender agreement. He stated, however, that while the leftists would store their weapons near Sidon, where they would be jointly guarded by the leftist groups and the Arab peacekeeping forces, the Palestinians would store their heavy weapons near the Israeli border.

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[REDACTED] This location would preclude the presence of the Arab peacekeeping forces since the Israelis have repeatedly stated that they will not tolerate the presence of any troops in the area along the border other than regular Lebanese army forces. The Christians seem sure to balk at surrendering their weapons while the Palestinians are allowed to retain unsupervised stockpiles of arms. [REDACTED]

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#### INDIA-USSR: Oil Agreement

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[REDACTED] India has announced that the USSR has offered to supply crude oil, raw materials, and engineering goods in exchange for pig iron, steel, and other Indian exports.

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[REDACTED] The offer calls for deliveries of 1 million tons of Soviet crude oil in 1977, and 1.5 million tons annually over the succeeding three years. A formal agreement, expected to be signed in February, will represent a major victory for India in its efforts to expand trade with the Soviets and obtain oil on favorable terms.

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[REDACTED] Crude oil remains one of Moscow's most important hard-currency earners in the West. Only Guinea and Somalia, outside the communist countries, have received Soviet crude on concessionary terms. Moscow's willingness to offer India oil on barter terms underscores the importance it attaches to its relations with New Delhi.

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[redacted] Under the proposed agreement, the advantage is clearly India's. Moscow would provide about 10 percent of current Indian petroleum requirements in return for pig iron and steel products that are now in surplus in India and difficult to sell on world markets. India would save about \$100 million in foreign exchange annually over the life of the four-year agreement. [redacted]

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